

# Digest of A Performance Audit of Municipal and County Taxation

This audit was initiated at the request of a legislative task force studying municipal revenues. The task force is concerned that municipal residents are taxed for similar or duplicate services by the counties in which they reside. Perceived taxing inequities characterized as “double taxation” is a cause of conflict between Utah’s cities and counties. Both county and municipal governments have the authority to provide services and to tax the same municipal residents.

This taxation/service overlap between two governments, serving nearly the same population, brings complaints that services are inefficiently duplicated or inaccurately accounted for resulting in a rising tax burden without corresponding service improvements. Conflicts occur when counties and municipalities provide similar services and when counties provide some services countywide and others only to selected areas. The report’s chapters deal with the following areas:

- C Utah Legislature Addressed Double Taxation Concerns
- C Improvements in Accounting for Municipal-Type Services Are Needed
- C Continual Refinements Needed to Reduce Salt Lake County Inequities

**Utah Legislature Addressed Double Taxation Concerns.** The Utah Legislature has recognized that the municipal services counties provide are comparable to the services municipalities provide to their residents. The basis for county municipal services began with the Legislature passing an initiative establishing a legal framework for counties to account for the municipal services they provide to unincorporated areas. The initiative reasoned that because municipal taxpayers already pay the city for their own municipal services, county-provided municipal services should also be funded by individuals benefitting from the service.

The **Utah Code** requires counties of a given size to establish a Municipal Services Fund separate from the countywide General Fund to account for the various municipal-type services they provide. A separate fund is necessary to ensure countywide General Funds are not used by the county to fund municipal services provided in unincorporated areas. Unfortunately, this legislative direction has been interpreted in a variety of ways.

**Improvements in Accounting for Municipal-Type Services Are Needed.** Additional efforts are needed for counties to comply with the requirements that they separately account for the municipal services they provide. While most counties have established a separate Municipal Services Fund, all counties do not maintain sufficient accounting information to accurately identify either what municipal services are being provided or how much those services cost. Consequently, counties cannot accurately pass the costs on to unincorporated residents benefitting from these municipal services.

Most counties have taken only the first step in alleviating inequitable taxation concerns. Of thirteen counties required to maintain separate Municipal Services Funds, ten have established funds and one has established separate special districts. However, all municipal services are not necessarily accounted for in each county's fund, either because a county doesn't provide the service, because counties classify services differently, or more often, because the costs and revenues have not been separated from countywide General Funds. The complexity of accounting for municipal services varies with a county's population density, available tax base, and the distinction made between services each department provides and the funds used to finance the service.

**Recommendations:**

1. We recommend the Legislature consider reevaluating municipal service statutes to establish basic services, revenues and costs for Municipal Services Funds.
2. We recommend the Legislature consider statutes requiring counties and municipalities meet regularly to identify and evaluate equity issues, negotiate solutions, and refine Municipal Services Fund procedures.

**Continual Refinement Needed to Reduce Salt Lake County**

**Inequities.** Salt Lake County has responded to many past inequity issues, but continual refinements are needed to reduce existing inequities. Earlier studies encouraged improvements by starting a process of cooperation. These studies, however, asserted countywide revenues subsidized county-provided municipal services for selected services. Scarce and incomplete information make calculating subsidies on a service by service basis difficult and controversial.

The studies did successfully initiate the process of cooperating to evaluate and amend procedures and reduce inequities. Salt Lake County modified accounting procedures for sheriff, park and attorney prosecution services and sought to provide more equitable levels of paramedic services. However, this modified system will always need ongoing evaluation to identify where inequities have not been resolved or have resurfaced.

Prescriptive statutes may actually promote conflict. Clarifying statutes with an itemized list of services may not necessarily improve municipal and county relations. County demographics change and, as such, statutes should not permanently declare a specific service as countywide or municipal. Service delivery situations are complex and unique to each county and therefore require cooperation and negotiation more than legislation.

Periodically monitoring each county program is necessary to ensure that the full cost of any municipal-type services is included in the Municipal Services Fund. Monitoring is needed for both unincorporated areas and for cities who contract for services from the County.

**Recommendation:**

1. We recommend that Salt Lake County and municipal representatives meet on a regularly specified basis to explore alternatives and to continue the process of sharing information, identifying inequities, and negotiating solutions to inequitable taxation issues.